

Elizabeth Quarles

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CAUSE NO. 2001-07795

PORT OF HOUSTON AUTHORITY,) IN THE DISTRICT COURT OF
Plaintiff,)
)
VS.)
)
GB BIOSCIENCES CORPORATION,)
GB BIOSCIENCES HOLDINGS,)
INC., ISK MAGNETICS, INC.,) HARRIS COUNTY, T E X A S
OCCIDENTAL CHEMICAL)
CORPORATION, JOHN STANSBURY,)
WILLIAM HUTTON, ZENECA)
HOLDINGS, INC., SYNGENTA AG,)
SYNGENTA CORPORATION,)
SYNGENTA CROP PROTECTIONS,)
INC.)
Defendants.) 151ST JUDICIAL DISTRICT

DEPOSITION OF

ELIZABETH K. QUARLES

Thursday, March 27, 2003

DEPOSITION of ELIZABETH K. QUARLES, produced as a
witness at the instance of the Plaintiff, and duly sworn,
was taken in the above-styled and numbered cause on the
27th day of March, 2003, from 8:40 a.m. to 12:45 p.m. ,
before ELLEN CORBETT HANNUM, RMR, CMRS, in and for the
State of Delaware, reported by machine shorthand, at the
offices of Syngenta Corporation, 2200 Concord Pike,
Wilmington, Delaware, pursuant to the Texas Rules of
Civil Procedure; that the deposition shall be read by the
Witness and signed before any Notary Public.

Elizabeth Quarles

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1	APPEARANCES
2	COUNSEL FOR PLAINTIFF, PORT OF HOUSTON AUTHORITY
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8	COUNSEL FOR DEFENDANTS, GB BIOSCIENCES CORPORATION,
9	GB BIOSCIENCES HOLDINGS, INC., ZENECA HOLDINGS, INC.,
10	ZENECA, INC., ZENECA AG PRODUCTS, INC., SYNGENTA
11	CORPORATION, SYNGENTA CROP PROTECTION, INC., and
12	JOHN STANSBURY
13	Mr. J. Clay Rogers
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00:26	1	services agreement	00:30	1	A Yes, it is
00:26	2	A Um-hmm.	00:30	2	Q Is this a true and correct copy of that
00:27	3	Q Are services, tax services included in that	00:30	3	document?
00:27	4	\$1.6 million figure?	00:30	4	A Yes, it is
00:27	5	A. The services, but not necessarily the taxes.	00:30	5	Q Can you describe for me the purpose or the
00:27	6	Q. Right.	00:30	6	concept behind this line of credit agreement and the cash
00:27	7	A. Yes	00:30	7	sweep agreement and how they interplay?
00:27	8	Q Okay. The taxes are allocated to each of the	00:30	8	A Yes
00:27	9	subsidiaries on a separate line item?	00:30	9	Q Would you please?
00:27	10	A The taxes that are paid by Syngenta	00:30	10	A Um-hmm From time to time GB, as is true with
00:27	11	Corporation on behalf of the group are charged back to	00:30	11	all of the different affiliates, needs cash Our
00:27	12	the individual companies under this tax-sharing	00:30	12	business is a very seasonal business, cash does not come
00:27	13	agreement.	00:30	13	in in equal amounts every month It's very variable. So
00:27	14	Q. Okay. Under the tax-sharing agreement, is	00:30	14	when the business needs cash to meet its operating needs,
00:27	15	there a similar allocation spread across the operational	00:30	15	Syngenta Finance lends cash When GB -- and there is a
00:27	16	units?	00:31	16	mechanism whereby it can draw down essentially or borrow
00:27	17	A The tax-sharing agreement says that the	00:31	17	money from Syngenta Finance for its needs When Syngenta
00:27	18	allocation is made based on the percentage method under a	00:31	18	-- I'm sorry, when GB is in a cash-positive position, for
00:27	19	particular section of the Internal Revenue code. So it's	00:31	19	example, when it's during the months or times when it is
00:27	20	my understanding that that particular methodology, as	00:31	20	selling product and receiving payment from affiliates and
00:28	21	defined under the Internal Revenue code, is what is	00:31	21	cannot only meet its own cash needs but has a surplus of
00:28	22	followed, which would presumably vary from the method	00:31	22	cash, then there is money that is swept into the, up
00:28	23	under the shared services agreement.	00:31	23	through the cash sweep agreement through the banking
00:28	24	Q. Okay Do you know if the taxes charged back	00:31	24	process
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00:28	1	to GB are intended to accurately reflect the taxes that	00:31	1	Q Is the money that is swept up then available
00:28	2	GB would have paid had it not been part of the family, or	00:31	2	to other affiliates through the line of credit?
00:28	3	is it just a percentage allocation of its share of the	00:31	3	A The amount of money that is swept up is held
00:28	4	taxes for the whole?	00:31	4	on deposit, so there is -- they have an asset in that
00:28	5	A The tax-sharing agreement seems to indicate,	00:32	5	sense in our Syngenta Finance's books on behalf of GB
00:28	6	as I read it, that if a particular company has a loss,	00:32	6	So Syngenta Finance has that cash available to lend to
00:28	7	for example, or a particular benefit, that they are given	00:32	7	others if need be
00:28	8	credit for that I don't have enough information to know	00:32	8	Q Right. Okay And it does in fact lend it to
00:28	9	if, how that is handled.	00:32	9	others if need be?
00:28	10	Q Okay. Other than the items that we have just	00:32	10	A. It's my understanding, yes
00:29	11	discussed, are you aware of any other financial or	00:32	11	(A document was marked as Plaintiff's
00:29	12	treasury-type services that Syngenta Corporation would	00:32	12	Exhibit No. 876 for identification)
00:29	13	provide directly to GB?	00:32	13	BY MR JACKSON:
00:29	14	A No	00:32	14	Q. Let me show you what we have marked as
00:29	15	(A document was marked as Plaintiff's	00:32	15	Plaintiff's 876, and ask you if you can tell me what that
00:29	16	Exhibit No. 875 for identification.)	00:32	16	document is?
00:29	17	MR JACKSON: I show you what I marked	00:32	17	A This is the cash sweep agreement between GB
00:29	18	as Plaintiff's 875.	00:32	18	Biosciences Corporation and Syngenta Finance that we have
00:29	19	Q. Can you tell me what this is, Ms. Quarles?	00:32	19	been discussing.
00:29	20	A This is a line of credit agreement between	00:32	20	Q Okay And is this a true and correct copy of
00:29	21	Syngenta Finance Corporation and GB Biosciences	00:32	21	that agreement?
00:29	22	Corporation with Syngenta Finance as the lender.	00:32	22	A Yes
00:30	23	Q Okay. Is this the line of credit agreement	00:33	23	Q I got myself a little bit out of order so
00:30	24	that we were just discussing?	00:33	24	forgive me if I jump around a little bit

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